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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 289 **June, 1984**

Business in Virginia May, 1984 Data

The May data shows a general slowing in Virginia's growth. One way to assess the current developments is to compare the May 1983 to May 1984 growth rates with the prior year-to-date growth rates for January-April, which were reported last month (for the two lagging indicators, nonagricultural employment and taxable sales, the comparison is April growth versus the January-March growth rates). For eight of the nine business indicators, the most recent month's growth rates were lower than the prior year-to-date growth rates. Thus slower growth is becoming evident in nearly all types of economic activity. Another way to examine the current results is to make a month to month comparison of April versus May. Changes in individual months can be quite erratic, so the month-to-month pattern generally is not as uniform in its signals. However, comparing just the last two months, five of the nine indicators had lower growth rates, and the four with higher growth do not contradict the conclusion that Virginia is moving to slower growth.

Bank debits, which measure checking account activity, grew at the unusually low rate of 1.5 percent in May, a reflection of the 13.4 percent growth for January-April. A more normal growth rate in June is almost certain. Building permits in May showed a 20.8 percent growth, about one-half of the January-April rate of 38.9 percent. The May growth was higher than April's low 12.3 percent growth, as we expected. Higher interest rates are affecting this sector, but they definitely have not shut down future building plans in the Commonwealth: the 20.8 percent growth in May is a very healthy increase.

Last month we reported that electricity consumed and our retail sales sample rather surprisingly showed lower growth in April than in March. For both, the May growth rates rebounded to more normal levels. Electricity consumption grew by 5.4 percent in May, almost twice the April rate of 2.8 percent but still about one-half of the 11.4 perent January-April rate. The May retail sales growth of 10.0 percent also was a pleasant rebound from the low 6.9 percent growth in April. Furthermore, the May growth was significantly better than the January-April growth of 7.5 percent. Remember our retail sales sample mainly reflects demand for nondurable goods and services, and at this stage of the nation's recovery consumer demand generally shifts more strongly to these types of purchases. This measure also includes tourist demand, which is likely to be stronger this summer than last. So, this retail sales indicator should continue to grow at a high rate in the coming months.

The April growth of 4.5 percent in nonagricultural employment was only slightly below the March growth of 4.7 percent and the January-March growth of 4.8 percent. The steady growth in employment reduced the Commonwealth's unemployment rate to 4.3 percent in April, another indication that the slower growth still is producing a very healthy economic expansion in the State.

The recent data do confirm that consumer durable goods demand is growing more slowly. The April taxable sales data available this month showed a 23.3 percent growth. Still strong, but lower than the 27.5 percent in March and below the January-March rate of 24.6 percent. May new car registrations are an even stronger indicator of lower growth in durable goods demand. The May increase was 16.0 percent, compared to 19.9 percent in April and a January-April growth rate of 25.0 percent. National and State developments point to lower growth rates in the future for both taxable sales and new car registrations.

In sum, there is broad evidence that Virginia's growth is slowing as expected. However, the evidence is equally strong that our growth still is sufficient to maintain a healthy expansion in jobs, real income, and trade. RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change May, 1984 from May, 1983

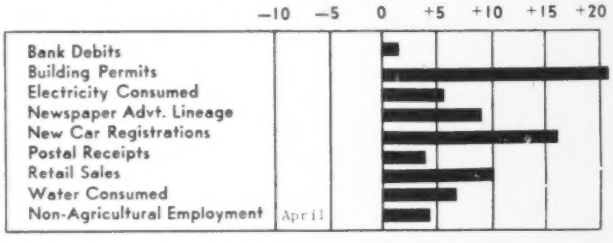
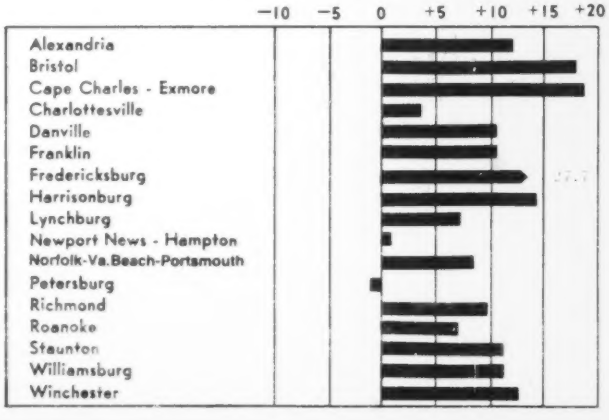


Chart II

City Indices

Percentage Change May, 1984 from May, 1983



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I May, 1984 — Monthly Index Number Comparisons to Current Month in Same Month in Base Period (1967 = Base Period = 100)

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	APRIL NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	POSTAL RECEIPTS
The State		311.9	139.6	108.8	125.9	128.9	116.6	90.9	159.8	197.3
Alexandria	188.6	535.0	100.1	102.9	N.A.	146.6	132.8	94.7	165.7	N.A.
Bristol	140.0	216.1	96.7	91.7	106.2	96.3	N.A.	85.6	153.0	207.2
Cape Charles - Exmore	142.8	303.6	392.8	95.8	N.A.	91.0	N.A.	N.A.	117.8	155.5
Charlottesville	187.4	314.6	249.9	109.5	N.A.	131.3	N.A.	168.7	191.8	199.9
Danville	127.1	N.A.	193.5	111.3	124.1	111.9	N.A.	89.4	139.5	154.8
Franklin	124.7	N.A.	143.4	91.5	116.4	115.4	N.A.	107.3	138.8	150.8
Fredericksburg	192.2	328.7	219.9	N.A.	148.6	164.5	N.A.	57.7	215.5	191.8
Harrisonburg	180.0	250.2	696.8	N.A.	176.6	111.0	N.A.	127.0	199.6	176.3
Lynchburg	147.5	379.6	104.0	102.6	N.A.	134.7	N.A.	115.5	135.5	440.9
Newport News - Hampton	128.3	129.9	201.7	93.8	115.8	120.6	131.0	110.1	151.3	N.A.
Norfolk - Va. Beach - Portsmouth	159.1	216.1	215.5	107.3	124.1	119.7	121.5	77.3	222.1	N.A.
Petersburg	121.1	176.8	97.5	N.A.	71.5	93.1	N.A.	90.8	127.0	155.6
Richmond	148.5	340.2	N.A.	120.7	126.0	130.4	114.3	100.8	137.8	139.4
Roanoke	139.4	148.6	189.0	99.4	111.6	155.4	108.6	105.1	160.9	182.3
Staunton	125.3	135.4	35.5	N.A.	122.6	114.1	N.A.	N.A.	108.9	178.0
Williamsburg	144.2	211.1	252.9	129.4	N.A.	140.3	N.A.	94.1	135.6	172.0
Winchester	154.7	343.8	83.7	111.4	204.3	136.5	N.A.	124.1	105.9	N.A.

TABLE II May, 1984 — Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	APRIL NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES †	APRIL RETAIL SALES ‡
The State		1.5	20.8	5.4	8.6	16.0	4.5	6.2	10.0	21.3
Alexandria	12.3	32.2	-79.9	1.0	N.A.	15.8	6.0	-2.9	13.4	23.9
Bristol	17.2	-28.9	296.2	5.7	-0.2	13.3	3.0	46.4	35.4	27.6
Cape Charles - Exmore	18.6	83.9	-43.0	3.0	N.A.	21.5	N.A.	N.A.	1.0	18.6
Charlottesville	3.7	35.2	73.8	7.4	N.A.	-1.7	1.7	3.6	-6.3	30.9
Danville	10.3	N.A.	583.9	7.2	22.9	17.7	2.1	26.4	-0.6	26.4
Franklin	10.5	N.A.	68.5	0.9	4.6	14.8	N.A.	-7.4	20.2	5.5
Fredericksburg	27.7	92.9	419.8	N.A.	10.9	22.2	N.A.	2.3	21.8	62.9
Harrisonburg	14.6	33.6	89.4	N.A.	17.5	17.6	N.A.	-4.0	12.6	45.4
Lynchburg	7.2	-25.3	-27.8	2.0	N.A.	23.5	3.8	23.0	9.0	28.0
Newport News - Hampton	0.6	-9.6	34.3	10.3	14.4	19.2	5.6	-6.4	-7.7	14.7
Norfolk - Va. Beach - Portsmouth	8.2	-15.0	29.9	8.2	11.5	14.0	5.3	12.3	11.4	26.8
Petersburg	-0.8	-24.7	30.5	N.A.	-8.1	19.0	-1.2	2.8	1.8	12.9
Richmond	9.8	15.2	-26.6	6.7	17.0	19.3	2.6	5.8	4.8	24.5
Roanoke	7.1	-28.1	284.1	7.9	-20.6	10.6	3.1	3.8	27.6	24.1
Staunton	11.3	38.4	-7.4	N.A.	1.4	17.3	N.A.	N.A.	3.6	21.6
Williamsburg	11.8	27.8	151.6	3.5	N.A.	22.2	N.A.	-1.7	10.3	19.3
Winchester	12.6	22.6	27.4	11.8	32.0	9.5	N.A.	5.2	6.6	40.3

TABLE III — Percentage Change January - May from same period last year

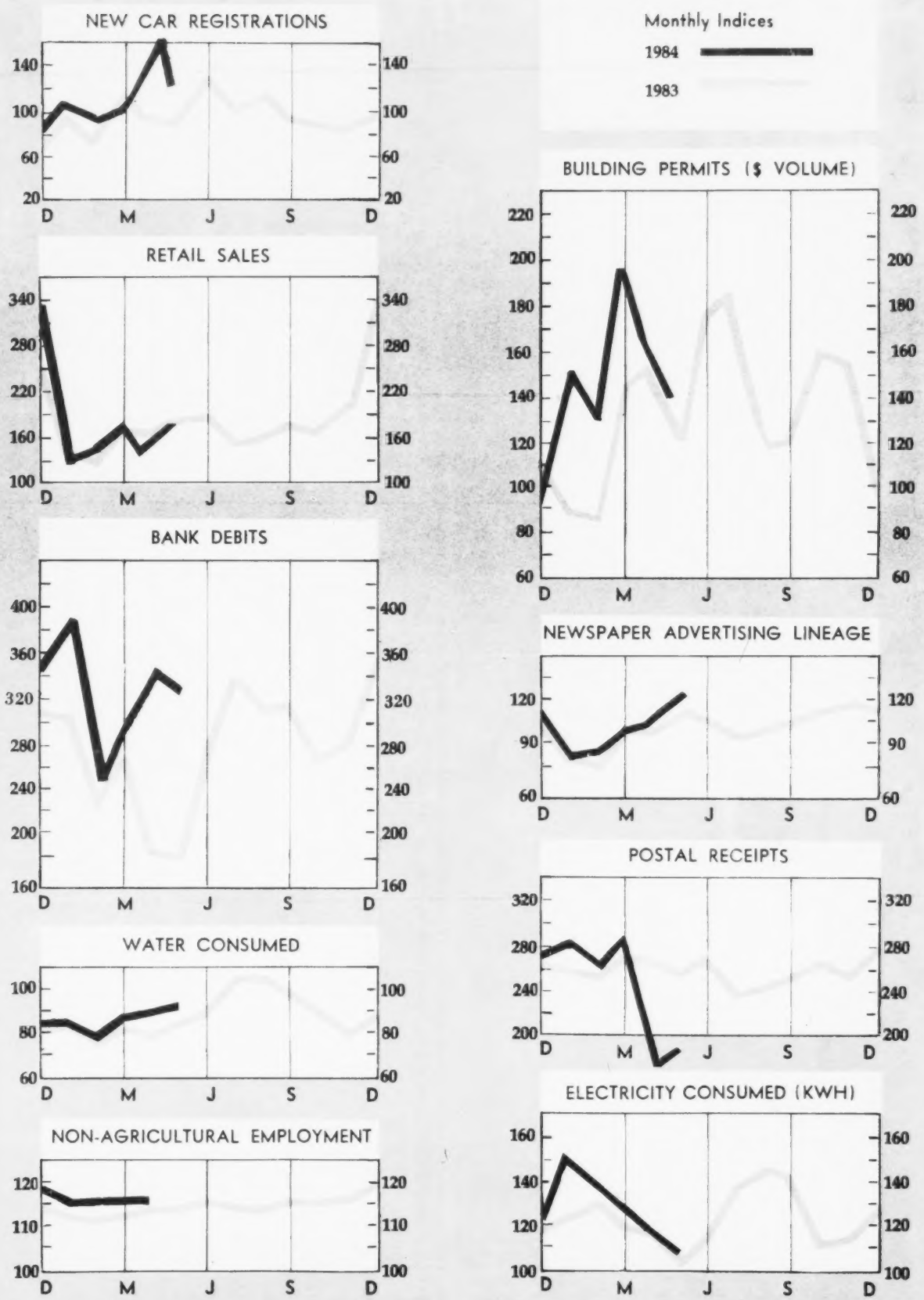
CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	JAN-APR NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	JAN-APR RETAIL SALES ‡
The State		10.6	35.1	10.4	12.0	22.7	4.7	6.2	8.1	24.2
Alexandria	14.9	31.2	-10.0	7.1	N.A.	21.9	6.3	2.0	13.1	29.2
Bristol	19.1	-8.7	115.0	10.6	0.0	22.1	2.9	33.2	31.9	22.6
Cape Charles - Exmore	8.6	49.7	-29.9	-6.7	N.A.	38.1	N.A.	N.A.	-9.9	20.1
Charlottesville	9.6	43.6	178.2	10.5	N.A.	19.8	3.2	-6.6	0.0	25.5
Danville	10.0	N.A.	273.9	6.2	14.9	24.0	2.2	5.0	5.0	20.4
Franklin	10.9	N.A.	36.6	9.1	6.6	32.9	N.A.	-1.9	8.9	39.1
Fredericksburg	20.5	43.4	-38.9	N.A.	8.9	40.9	N.A.	6.8	14.5	49.6
Harrisonburg	13.9	34.1	182.4	N.A.	11.8	10.8	N.A.	5.3	11.6	37.0
Lynchburg	8.5	-13.7	-35.0	7.2	N.A.	22.1	4.4	12.1	10.5	27.3
Newport News - Hampton	7.6	10.6	37.9	9.9	16.8	18.3	5.9	6.2	-0.4	16.9
Norfolk - Va. Beach - Portsmouth	12.9	24.9	31.0	10.8	13.5	17.4	5.8	8.8	9.3	24.3
Petersburg	-0.3	-19.1	123.0	N.A.	-2.4	21.2	-1.9	-6.2	1.4	13.4
Richmond	12.0	8.6	73.5	18.7	16.3	30.1	4.3	5.1	5.7	21.9
Roanoke	10.9	8.3	10.2	10.5	6.6	22.5	3.7	6.2	11.2	24.2
Staunton	8.7	29.7	6.2	N.A.	4.9	23.0	N.A.	N.A.	-1.9	20.5
Williamsburg	9.1	13.8	177.8	8.9	N.A.	21.2	N.A.	12.9	2.2	17.9
Winchester	11.6	12.9	48.4	13.7	14.9	20.3	N.A.	14.1	5.2	33.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits, which is excluded because of its highly erratic nature.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

#Virginia Employment Commission data which lag behind current reports.


Monthly Indices
1984
1983
NEW CAR REGISTRATIONS
140
100
60
20
D
M
J
S
D
RETAIL SALES
340
280
220
160
100
BANK DEBITS
400
360
320
280
240
200
160
WATER CONSUMED
100
80
60
NON-AGRICULTURAL EMPLOYMENT
120
110
100
BUILDING PERMITS ($ VOLUME)
220
200
180
160
140
120
100
80
60
NEWSPAPER ADVERTISING LINEAGE
120
90
60
POSTAL RECEIPTS
320
280
240
200
ELECTRICITY CONSUMED (KWH)

Travel Expenditures, 1983 and 1984

During the past month, two data sources were published: The Virginia Department of Taxation's detailed annual report of taxable sales for 1983, and the Virginia Division of Tourism's *Travel in Virginia 1983, An Economic Analysis.* Our commentary this month will be devoted mainly to a comparison of the two reports, plus a perspective on 1984.

Travel in Virginia contains estimates of spending in the Commonwealth by all travelers, defined as "persons traveling away from home overnight, or to a place 100 miles or more away from home for any purpose except commuting to and from work." Most of the spending, 60 percent, was by out-of-State visitors. However, 20 percent was spent by Virginians traveling to Virginia destinations, and 20 percent was spent within the State by Virginians on their way to out-of-State destinations. The 40 percent spent by Virginians is an important contribution to the State's economy, since these expenditures generate income here instead of in another state — the impact is just as great when a Virginian vacations here as it is when the traveler is from Pennsylvania or Texas or France. So, the appropriate measure, which *Travel in Virginia* reports, is the expenditures by travelers as defined above, rather than just the spending by out-of-State visitors.

Let us now turn to the question — how did we do? In Virginia, travel expenditures reached $3,661 million in 1983, an increase of 8.9 percent over 1982. And, those expenditures were equal to 15.0 percent of the Commonwealth's taxable sales. A very substantial contribution. However, taxable sales increased by 12.2 percent in 1983, a growth rate well above the growth in travel expenditures. Travel spending in Virginia did rebound in 1983, but not as strongly as total spending did. Thus the travel share slipped from 16.0 percent of taxable sales in 1981 to 15.4 in 1982 and 15.0 percent in 1983.

The first year of economic recovery in Virginia's retail trade was very strongly dominated by local consumption, the result of Virginians buying from Virginians. This is quite normal. In the first year of recovery, the leading forces generally are consumer durable goods demand and residential housing — the strength in these two areas overshadows growth in other types of spending such as travel. In the second year, however, we generally see a slowdown in the growth of these types of spending, and increased strength in the demand for nondurable goods and services, which include travel. Nationally, that slowdown in growth seems to be happening now: residential housing demand has fallen in April and Mary, and automobile demand appears to be weakening in June. At the same time, consumer travel plans nationwide remain quite high; and the early indications are the summer travel season in Virginia will produce higher growth in travel receipts for 1984 than we realized in 1983. An increase in 1984 of 15 percent, which is two-thirds higher than last year's growth, is expected.

The travel impact varied in different parts of the Commonwealth last year, so a review of the seventeen areas covered by us is appropriate, giving the 1983 growth rates in travel expenditures and taxable sales, and the ratio of travel spending to taxable sales.

In four local areas, travel receipts grew at a higher rate than taxable sales. The star performance was in Harrisonburg and Rockingham County: travel receipts increased 38.4 percent in 1983 compared to a 10.1 percent gain in taxable sales. Here, travel expenditures in 1983 were equal to 10.1 percent of total taxable sales. Charlottesville, where travel receipts accounted for 12.0 percent of 1983's taxable sales, also had good tourism growth, 15.1 percent, versus only a 10.0 percent increase in taxable sales. The other two areas were Danville, with 12.3 percent travel receipts growth versus 7.0 percent for taxable sales; and Franklin, with 6.0 percent growth in travel expenditures and 4.9 percent in taxable sales. However, tourism is a relatively minor part of the economic activity in these two areas.

For the other thirteen local areas, travel receipts grew by a lower percentage than taxable sales. We will review these in the order of their 1983 travel growth rates. The Norfolk-Portsmouth-Virginia Beach area realized a very substantial travel growth of 12.8 percent, but general expansion in the area produced a slightly higher 13.2 percent taxable sales growth. The Alexandria area followed the same pattern: 11.2 percent travel receipts growth, but an even stronger 14.9 percent taxable sales growth. The Williamsburg-James City County area realized a 9.9 percent travel expenditures growth, but a far higher 17.9 percent growth in taxable sales. However, travel receipts here still were equal to 87.6 percent of total taxable sales in 1983, showing the continued dominance of tourism.

Petersburg had an 8.9 percent travel growth, with a 12.0 percent taxable sales growth. These travel receipts equaled 12.6 percent of taxable sales in 1983, so a good tourism season in 1984 could be a welcome offset to the recent decreases in manufacturing activity. The Cape Charles-Exmore area, where travel expenditures were 24.7 percent of 1983 taxable sales, had moderate growth in both: 6.1 percent in travel receipts, and 7.8 percent in taxable sales. Winchester and Fredericksburg both had well above average growth in taxable sales because of the expansion of local businesses, but little tourist growth. In Winchester, taxable sales rose 19.1 percent, while travel receipts increased 2.9 percent. For Fredericksburg, the taxable sales growth was 21.0 percent, but travel growth was only 2.8 percent. The Hampton-Newport News taxable sales growth was a more moderate 10.6 percent, while travel receipts were almost unchanged with only 0.8 percent growth.

The remaining five areas had a decrease in travel receipts. In the Richmond area, the decrease was only 0.9 percent, while taxable sales increased 12.6 percent. Lynchburg saw a decline of 2.3 percent, with taxable sales growth of 8.2 percent. The areas which benefited most in 1982 from the Knoxville World's Fair traffic had the largest travel decreases in 1983. Roanoke travel revenue was down 4.4 percent, with taxable sales up 11.6 percent. Bristol's travel decline was 10.3 percent, contributing to its growth of only 4.3 percent in taxable sales. The largest travel receipt decrease was in Staunton, a decline of 21.8 percent, accompanied by a 6.5 percent growth in taxable sales.

In general, travel expenditure growth was a force which helped achieve recovery in 1983, but a weaker force than local consumer and business expansion. In 1984, travel receipts growth promises to be a much stronger factor, leading rather than following the retail sales momentum in more areas of the State. RLP

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